



TRICO
Electric Cooperative, Inc.

ORIGINAL



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A Touchstone Energy® Cooperative



April 15, 2011

Arizona Corporation Commission
DOCKETED

APR 14 2011

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



Re: TIER and DSC Report Per Docket: E-01461A-07-0433, Decision No. 70399

Ladies and Gentlemen:

Please find the enclosed summary report titled Trico Electric Cooperative ("Trico") RUS FORM 7 2010 Audited Financials December 31, 2010 Compliance Report Decision No. 70399 and copies of the final year-end audit report and Form 7 report.

Trico is filing this report to comply with Decision 70399 to show that Trico meets the required TIER and DSC ratios following 2010's debt issuance.

The summary report shows that Trico's Operating TIER meets the 1.25 ratio that the Commission required in its decision by earning a 1.53 TIER for year-end 2010. Trico also met the required Operating DSC requirement of 1.25 by earning a 1.75 Operating DSC for year-end 2010.

Please contact me at the information below if you have any questions.

Sincerely,

Caroline Gardiner
Manager, Finance and Administration
Trico Electric Cooperative, Inc.
520-744-2944 x 1321

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Trico Electric Cooperative
RUS FORM 7 2010 Audited Financials
December 31, 2010
Compliance Report Decision 70399

	<u>2010</u>
REVENUE	
1 Operating Revenue and Patronage Capital	\$ 92,786,255
COST OF POWER	
2 Cost of Purchased Power-AEPCO	\$ 52,058,977
3 Cost of Purchased Power- SWT	\$ 7,667,728
4 Cost of Solar Generation System	\$ 20,429
5 Total Fuel Costs	<u>\$ 59,747,134</u>
7 Gross Margin (Revenue-Fuel Costs)	<u>\$ 33,039,121</u>
TRICO DISTRIBUTION COSTS	
9 Transmission Expense	\$ 309,260
10 Distribution Expense - Operations	\$ 6,221,256
11 Distribution Expense - Maintenance	\$ 1,665,111
12 Customer Accounts Expense	\$ 2,838,200
13 Customer Service & Information Expense	\$ 395,756
14 Sales Expense	\$ 302,078
15 Administrative & General Expense	\$ 4,640,301
16 Total Trico Variable Operating Expenses	<u>\$ 16,371,962</u>
FIXED OPERATING EXPENSES	
19 Depreciation & Amortization Expense	\$ 6,445,508
20 Tax Expense - Property & Gross Receipts	\$ -
21 Tax Expense - Other	\$ (451)
22 Interest on Long-Term Debt	\$ 6,492,483
23 Interest Charged to Construction - Credit	\$ -
24 Interest Expense - Other	\$ 4,778
25 Other Deductions	\$ 255,811
26 Total Fixed Operating Expenses	<u>\$ 13,198,129</u>
27 Fixed Operating Expense as a Percentage of Sales	<u>14%</u>
28 Total Costs of Electric Service	<u>\$ 89,317,225</u>
29 Total Costs as a Percentage of Sales	<u>96%</u>
30 Patronage Capital & Operating Margins	<u>\$ 3,469,030</u>
32 Non-Operating Margins - Interest	\$ 102,930
33 Allowance for Funds Used During Construction	\$ -
34 Income (Loss) from Equity Investments	\$ -
35 Non-Operating Margins - Other	\$ 70,879
36 Generation and Transmission Capital Credits	\$ 2,361,462
37 Other Capital Credits & Patronage Dividends	\$ 100,253
38 Extraordinary Items	\$ -
39 Patronage Capital or Margins	<u>\$ 6,104,554</u>
40 Operating TIER Ratio	1.53
41 Non Operating TIER Ratio	1.94
42 Operating DSC	1.75

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

AZ0020

PERIOD ENDED

December, 2010 (Prepared with Audited Data)

BORROWER NAME

Trico Electric Cooperative, Inc.

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Vincent Nitido

3/31/2011

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	87,119,595	92,786,255	93,242,486	6,574,519
2. Power Production Expense				
3. Cost of Purchased Power	58,169,937	59,747,134	59,371,299	4,207,567
4. Transmission Expense	59,292	309,260	38,832	55,119
5. Regional Market Expense				
6. Distribution Expense - Operation	5,938,071	6,221,256	6,470,949	634,087
7. Distribution Expense - Maintenance	1,484,852	1,665,111	1,917,644	154,178
8. Customer Accounts Expense	2,722,525	2,838,200	2,696,720	341,628
9. Customer Service and Informational Expense	240,416	395,756	669,381	30,634
10. Sales Expense	287,531	302,078	320,003	38,553
11. Administrative and General Expense	3,793,059	4,640,301	4,653,870	505,166
12. Total Operation & Maintenance Expense (2 thru 11)	72,695,683	76,119,096	76,138,698	5,966,932
13. Depreciation and Amortization Expense	6,023,241	6,445,508	6,356,042	743,690
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	475	(451)		(11)
16. Interest on Long-Term Debt	6,546,805	6,492,483	6,507,567	547,963
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	32,707	4,778	4,512	1,258
19. Other Deductions	161,433	255,811	180,500	109,797
20. Total Cost of Electric Service (12 thru 19)	85,460,344	89,317,225	89,187,319	7,369,629
21. Patronage Capital & Operating Margins (1 minus 20)	1,659,251	3,469,030	4,055,167	(795,110)
22. Non Operating Margins - Interest	83,763	102,930	77,895	17,430
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	59,594	70,879	44,003	1,200
26. Generation and Transmission Capital Credits	6,224,868	2,361,462		2,361,462
27. Other Capital Credits and Patronage Dividends	82,964	100,253	49,024	16,093
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	8,110,440	6,104,554	4,226,089	1,601,075

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION AZ0020		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			PERIOD ENDED December, 2010		
INSTRUCTIONS - See help in the online application.					
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	801	763	5. Miles Transmission	31.00	31.00
2. Services Retired	95	98	6. Miles Distribution -- Overhead	1,593.00	1,590.00
3. Total Services in Place	42,088	42,762	7. Miles Distribution - Underground	1,968.00	2,006.00
4. Idle Services (Exclude Seasonals)	2,701	2,837	8. Total Miles Energized (5 + 6 + 7)	3,592.00	3,627.00
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	210,381,342		30. Memberships	0	
2. Construction Work in Progress	4,620,242		31. Patronage Capital	48,821,174	
3. Total Utility Plant (1 + 2)	215,001,584		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	48,781,471		33. Operating Margins - Current Year	5,930,745	
5. Net Utility Plant (3 - 4)	166,220,113		34. Non-Operating Margins	173,809	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	6,777,159	
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)	61,702,887	
8. Invest. in Assoc. Org. - Patronage Capital	23,498,389		37. Long-Term Debt - RUS (Net)	107,704,992	
9. Invest. in Assoc. Org. - Other - General Funds	2,435		38. Long-Term Debt - FFB - RUS Guaranteed	8,306,256	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,157,363		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	8,336,800	
12. Other Investments	145,238		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	136,653		42. Payments - Unapplied	0	
14. Total Other Property & Investments (6 thru 13)	24,940,078		43. Total Long-Term Debt (37 thru 41 - 42)	124,348,048	
15. Cash - General Funds	3,213,444		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		45. Accumulated Operating Provisions and Asset Retirement Obligations	136,653	
17. Special Deposits	22,784		46. Total Other Noncurrent Liabilities (44 + 45)	136,653	
18. Temporary Investments	2,500,000		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	4,509,890	
20. Accounts Receivable - Sales of Energy (Net)	5,046,364		49. Consumers Deposits	1,283,318	
21. Accounts Receivable - Other (Net)	467,956		50. Current Maturities Long-Term Debt	3,067,945	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	2,907,138		52. Current Maturities Capital Leases	0	
24. Prepayments	742,031		53. Other Current and Accrued Liabilities	3,843,390	
25. Other Current and Accrued Assets	159,739		54. Total Current & Accrued Liabilities (47 thru 53)	12,704,543	
26. Total Current and Accrued Assets (15 thru 25)	15,059,456		55. Regulatory Liabilities	0	
27. Regulatory Assets	0		56. Other Deferred Credits	7,751,917	
28. Other Deferred Debits	424,401		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	206,644,048	
29. Total Assets and Other Debits (5+14+26 thru 28)	206,644,048				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION AZ0020			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				PERIOD ENDED December, 2010			
INSTRUCTIONS - See help in the online application.							
PART E. CHANGES IN UTILITY PLANT							
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)		
1. Distribution Plant	180,265,802	8,235,231	2,103,817		186,397,216		
2. General Plant	8,943,412	781,998	680,135		9,045,275		
3. Headquarters Plant	10,934,234	200,249			11,134,483		
4. Intangibles	1,180				1,180		
5. Transmission Plant	3,510,187	96,468	2,439		3,604,216		
6. Regional Transmission and Market Operation Plant							
7. All Other Utility Plant	198,972				198,972		
8. Total Utility Plant in Service (1 thru 7)	203,853,787	9,313,946	2,786,391		210,381,342		
9. Construction Work in Progress	5,999,780	(1,379,538)			4,620,242		
10. Total Utility Plant (8 + 9)	209,853,567	7,934,408	2,786,391		215,001,584		
PART F. MATERIALS AND SUPPLIES							
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	3,401,268	2,214,905	62,624	2,813,296	635	(17,111)	2,847,755
2. Other	41,457	73,469		54,058		(1,485)	59,383
PART G. SERVICE INTERRUPTIONS							
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)		
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)			
1. Present Year	0.000	134.700	0.000	73.300	208.000		
2. Five-Year Average	5.900	72.600	0.000	95.100	173.600		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	130	4. Payroll - Expensed	5,967,403				
2. Employee - Hours Worked - Regular Time	272,268	5. Payroll - Capitalized	2,711,157				
3. Employee - Hours Worked - Overtime	8,822	6. Payroll - Other	1,809,607				
PART I. PATRONAGE CAPITAL							
ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)				
1. Capital Credits - Distributions	a. General Retirements	993,554	22,746,530				
	b. Special Retirements	10,241	484,532				
	c. Total Retirements (a + b)	1,003,795	23,231,062				
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power						
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	32,950					
	c. Total Cash Received (a + b)	32,950					
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$ 337,139	2. Amount Written Off During Year	\$ 369,264				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE					BORROWER DESIGNATION				
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					AZ0020				
INSTRUCTIONS - See help in the online application					PERIOD ENDED December, 2010				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	RUS USE ONLY SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
1	Arizona Electric Pwr Coop, Inc (AZ0028)	796			648,243,028	59,726,705	9.21		
2	*Miscellaneous	700000			452,527	20,429	4.51		
	Total				648,695,555	59,747,134	9.21		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION AZ0020	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2010	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION AZ0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2010	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION AZ0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2010	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 5/1/2010	2. Total Number of Members 35,177	3. Number of Members Present at Meeting 113	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 2	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 64,048	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION AZ0020		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2010		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	107,704,992	5,586,182	2,369,191	7,955,373
2	National Rural Utilities Cooperative Finance Corporation	8,336,800	552,868	453,568	1,006,436
3	CoBank, ACB				
4	Federal Financing Bank	8,306,256	353,432	60,485	413,917
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	TOTAL	124,348,048	6,492,482	2,883,244	9,375,726

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0020	
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2010	
INSTRUCTIONS - See help in the online application.			
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY			
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	37,806	37,659
	b. kWh Sold		
	c. Revenue		
2. Residential Sales - Seasonal	a. No. Consumers Served		
	b. kWh Sold		
	c. Revenue		
3. Irrigation Sales	a. No. Consumers Served	15	16
	b. kWh Sold		
	c. Revenue		
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	1,974	1,961
	b. kWh Sold		
	c. Revenue		
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	15	14
	b. kWh Sold		
	c. Revenue		
6. Public Street & Highway Lighting	a. No. Consumers Served	30	26
	b. kWh Sold		
	c. Revenue		
7. Other Sales to Public Authorities	a. No. Consumers Served		
	b. kWh Sold		
	c. Revenue		
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served		
	b. kWh Sold		
	c. Revenue		
9. Sales for Resale - Other	a. No. Consumers Served	12	12
	b. kWh Sold		
	c. Revenue		
10.	Total No. of Consumers (lines 1a thru 9a)	39,852	39,688
11.	Total kWh Sold (lines 1b thru 9b)		
12.	Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)		
13.	Transmission Revenue		
14.	Other Electric Revenue		
15.	kWh - Own Use		
16.	Total kWh Purchased		
17.	Total kWh Generated		
18.	Cost of Purchases and Generation		
19.	Interchange - kWh - Net		
20.	Peak - Sum All kW Input (Metered) Non-coincident _____ Coincident <u>X</u>		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				BORROWER DESIGNATION AZ0020		
INSTRUCTIONS - See help in the online application.				PERIOD ENDED December, 2010		
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)						
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less						
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total						

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION AZ0020		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS			PERIOD ENDED December, 2010		
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	INTERNET SERVICE		34,438		
	ACCUM PROVISION DEPREC-INTERNEST		(34,438)		
	Totals		0		
2	Investments in Associated Organizations				
	PATRONAGE CAPITAL-AEPCO		21,999,988		
	PATRONAGE CAPITAL-SWT		993,413		
	PATRONAGE CAPITAL-NISC	82,379			
	PATRONAGE CAPITAL-CFC		390,425		
	PATRONAGE CAPITAL-NRTC	32,184			
	MEMBERSHIP-NRUCFC		1,000		
	MEMBERSHIP-NRECA	10			
	MEMBERSHIP-GCSECA	100			
	MEMBERSHIP-NISC	25			
	MEMBERSHIP-NCSC	100			
	MEMBERSHIP-DESERT STAR ISO	1,000			
	MEMBERSHIP-SIERRA SOUTHWEST	100			
	MEMBERSHIP SWTEPCO	100			
	CAPITAL TERM CERTIFICATES-CFC		1,157,363		
	Totals	115,998	24,542,189		
4	Other Investments				
	FEDERATED STOCK	145,238			
	Totals	145,238			
5	Special Funds				
	DEFERRED COMPENSATION	136,653			
	Totals	136,653			
6	Cash - General				
	GENERAL FUNDS	2,938,474	100,000		
	CAPITAL CREDIT FUNDS	48,117	100,000		
	SECTION 125 DEPOSITS	24,853			
	WORKING FUNDS	2,000			
	Totals	3,013,444	200,000		
7	Special Deposits				
	POSTAGE DEPOSIT	8,000			
	WORKERS COMPENSATION-PREMIUM DEPOSIT	14,784			
	Totals	22,784			
8	Temporary Investments				
	INVESTMENTS-AEPCO	2,500,000			
	Totals	2,500,000			
9	Accounts and Notes Receivable - NET				
	ACCOUNTS RECEIVABLE-OTHER	467,956			
	Totals	467,956			
11	TOTAL INVESTMENTS (1 thru 10)	6,402,073	24,742,189		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0020			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2010			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION AZ0020			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2010			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					2.98 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	12/31/2011	9,386	5,359	
2	Energy Resources Conservation Loans				
	TOTAL		9,386	5,359	

ARIZONA 20 PIMA

TRICO ELECTRIC COOPERATIVE, INC.

MARANA, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

ARIZONA 20 PIMA

TRICO ELECTRIC COOPERATIVE, INC.

MARANA, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 20 PIMA
TRICO ELECTRIC COOPERATIVE, INC.
MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited the accompanying balance sheets of Trico Electric Cooperative, Inc. as of December 31, 2010 and 2009, and the related statements of income and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trico Electric Cooperative, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of Trico Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements of Trico Electric Cooperative, Inc. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

February 14, 2011

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

ASSETS

	December 31,	
	2010	2009
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 210,182,370	\$ 203,654,815
Electric Plant Held for Future Use	198,972	198,972
Construction Work in Progress	4,620,242	5,999,780
	<u>\$ 215,001,584</u>	<u>\$ 209,853,567</u>
Less: Accumulated Provision for Depreciation	48,781,471	44,918,564
	<u>\$ 166,220,113</u>	<u>\$ 164,935,003</u>
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 24,803,425	\$ 22,401,015
Other Investments	159,437	167,312
	<u>\$ 24,962,862</u>	<u>\$ 22,568,327</u>
CURRENT ASSETS		
Cash - General	\$ 3,213,444	\$ 2,809,969
Temporary Cash Investments	2,500,000	3,500,000
Accounts Receivable (Less allowance for uncollectibles of \$460,091 in 2010 and \$389,317 in 2009)	5,519,164	5,538,284
Power Cost Adjustment-Underbilled	565,068	
Materials and Supplies at Average Cost	2,819,916	3,595,606
Other Current and Accrued Assets	901,777	1,020,615
	<u>\$ 15,519,369</u>	<u>\$ 16,464,474</u>
DEFERRED CHARGES	\$ 510,522	\$ 540,131
TOTAL ASSETS	<u>\$ 207,212,866</u>	<u>\$ 204,507,935</u>

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 54,925,734	\$ 49,825,171
Other Equities	6,777,159	6,772,145
	<u>\$ 61,702,893</u>	<u>\$ 56,597,316</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 107,704,992	\$ 110,192,183
FFB Mortgage Notes Less Current Maturities	8,306,256	8,440,000
CFC Mortgage Notes Less Current Maturities	8,336,800	8,793,055
	<u>\$ 124,348,048</u>	<u>\$ 127,425,238</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 3,067,945	\$ 2,874,000
Accounts Payable - Purchased Power	4,203,433	4,000,433
Accounts Payable - Other	1,506,390	1,127,776
Power Cost Adjustment - Overbilled		116,856
Consumer Deposits	1,283,318	1,149,033
Accrued Taxes	1,447,067	1,249,416
Accrued Interest	99,627	118,505
Accrued Employee Compensated Absences	1,348,754	1,257,792
Other Current and Accrued Liabilities	316,821	292,336
	<u>\$ 13,273,355</u>	<u>\$ 12,186,147</u>
DEFERRED CREDITS	\$ 7,751,917	\$ 8,151,485
PENSION RESERVES - Deferred Compensation	\$ 136,653	\$ 147,749
TOTAL EQUITIES AND LIABILITIES	<u>\$ 207,212,866</u>	<u>\$ 204,507,935</u>

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Years Ended December 31,				Increase (Decrease)
	2010		2009		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 62,092,759	66.9	\$ 58,436,925	67.1	\$ 3,655,834
Irrigation	127,732	0.1	181,276	0.2	(53,544)
Commercial and Industrial	28,364,197	30.6	28,223,089	32.4	141,108
Public Buildings and Other Authorities	74,945	0.1	51,219	0.1	23,726
Sales for Resale	895	0.0	9,809	0.0	(8,914)
Power Cost Adjustment	681,924	0.7	(1,202,540)	(1.4)	1,884,464
Rent from Electric Property	353,125	0.4	325,457	0.4	27,668
Other Electric Revenue	1,090,678	1.2	1,094,360	1.3	(3,682)
Total Operating Revenues	<u>\$ 92,786,255</u>	<u>100.0</u>	<u>\$ 87,119,595</u>	<u>100.0</u>	<u>\$ 5,666,660</u>
OPERATING EXPENSES					
Purchased Power	\$ 59,747,134	64.4	\$ 58,169,937	66.8	\$ 1,577,197
Transmission	309,260	0.3	59,292	0.1	249,968
Distribution - Operation	6,221,256	6.7	5,938,071	6.8	283,185
Distribution - Maintenance	1,665,111	1.8	1,484,852	1.7	180,259
Customer Accounts	2,838,200	3.1	2,722,526	3.1	115,674
Customer Service and Information	697,834	0.8	527,947	0.6	169,887
Administrative and General	4,640,301	5.0	3,793,060	4.4	847,241
Depreciation	6,445,508	6.9	6,023,242	6.9	422,266
Taxes	(401)	0.0	525	0.0	(926)
Other Interest	4,778	0.0	32,707	0.0	(27,929)
Other Deductions	255,761	0.3	161,383	0.2	94,378
Total Operating Expenses	<u>\$ 82,824,742</u>	<u>89.3</u>	<u>\$ 78,913,542</u>	<u>90.6</u>	<u>\$ 3,911,200</u>
OPERATING MARGINS - Before Fixed Charges	\$ 9,961,513	10.7	\$ 8,206,053	9.4	\$ 1,755,460
FIXED CHARGES					
Interest on Long-Term Debt	<u>6,492,483</u>	<u>7.0</u>	<u>6,546,805</u>	<u>7.5</u>	<u>(54,322)</u>
OPERATING MARGINS - After Fixed Charges	\$ 3,469,030	3.7	\$ 1,659,248	1.9	\$ 1,809,782
Capital Credits	<u>2,461,716</u>	<u>2.7</u>	<u>6,307,832</u>	<u>7.2</u>	<u>(3,846,116)</u>
NET OPERATING MARGINS	<u>\$ 5,930,746</u>	<u>6.4</u>	<u>\$ 7,967,080</u>	<u>9.1</u>	<u>\$ (2,036,334)</u>
NONOPERATING MARGINS					
Interest Income	\$ 102,930	0.1	\$ 83,765	0.1	\$ 19,165
Other Nonoperating Income	70,879	0.1	59,594	0.1	11,285
	<u>\$ 173,809</u>	<u>0.2</u>	<u>\$ 143,359</u>	<u>0.2</u>	<u>\$ 30,450</u>
NET MARGINS	<u>\$ 6,104,555</u>	<u>6.6</u>	<u>\$ 8,110,439</u>	<u>9.3</u>	<u>\$ (2,005,884)</u>
PATRONAGE CAPITAL - Beginning of Year	49,825,171		41,721,479		
Patronage Capital Retired	<u>(1,003,992)</u>		<u>(6,747)</u>		
PATRONAGE CAPITAL - End of Year	<u>\$ 54,925,734</u>		<u>\$ 49,825,171</u>		

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 6,104,555	\$ 8,110,439
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities		
Depreciation	6,804,697	6,383,927
Capital Credits	(2,461,716)	(6,307,832)
Deferred Charges	29,609	(12,074)
Deferred Credits	(399,568)	88,195
Accounts Receivable	(545,948)	543,677
Inventories and Prepaid Expenses	894,528	196,773
Payables and Accrued Expenses	893,263	131,857
Other Equities	5,014	3,156
Net Cash Provided by Operating Activities	\$ 11,324,434	\$ 9,138,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (7,934,408)	\$ (10,328,839)
Salvage Value of Retirements and Other Credits	288,764	118,226
Plant Removal Costs	(444,163)	(427,632)
Other Property and Investments	56,084	6,052
Net Cash Used in Investing Activities	\$ (8,033,723)	\$ (10,632,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from FFB	\$	\$ 5,500,000
Payments on Long-Term Debt to RUS	(2,369,191)	(2,253,548)
Payments on Long-Term Debt to FFB	(60,485)	
Payments on Long-Term Debt to CFC	(453,568)	(522,150)
Retirement of Patronage Capital	(1,003,992)	(6,747)
Net Cash Provided by Financing Activities	\$ (3,887,236)	\$ 2,717,555
INCREASE IN CASH AND CASH EQUIVALENTS	\$ (596,525)	\$ 1,223,480
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,309,969	5,086,489
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,713,444	\$ 6,309,969
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 6,492,483	\$ 6,546,805
Income Taxes	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

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TRICO ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Trico Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arizona Electric Power Cooperative, Inc. of which the Cooperative is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

The Cooperative records electric revenues as billed to consumers based upon meter readings obtained throughout the month. Revenue is not accrued for power delivered but not billed at the end of each month. The Cooperative's tariffs for electric service include power cost adjustment clauses under which electric rates are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, power cost to be billed in subsequent periods is recognized as accounts receivable, and power cost to be refunded in subsequent periods is reflected as a liability.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and temporary cash investments are treated as cash and cash equivalents.

Concentration of Credit Risk

The Cooperative's headquarters facility is located in Marana, Arizona. The service area includes members located in a three county area surrounding the city of Tucson. The Cooperative records a receivable for electric revenue as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2010 and 2009, deposits on hand totaled \$1,283,318 and \$1,149,033, respectively. Although the Cooperative maintains its bank deposits in institutions that are insured by an agency of the federal government, deposits at times exceed insured amounts.

Uncertain Tax Positions

On January 1, 2009, the Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2007.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2010 and 2009.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

2. Assets Pledged

All assets are pledged as security for the long-term debt due RUS and the National Rural Utilities Cooperative Finance Corporation (CFC).

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2010	2009
Intangible Plant	\$ 1,180	\$ 1,180
Transmission Plant	3,604,216	3,510,187
Distribution Plant	186,397,215	180,265,801
General Plant	20,179,759	19,877,647
Total Electric Plant in Service	\$ 210,182,370	\$ 203,654,815
Electric Plant Held for Future Use	198,972	198,972
Construction Work in Progress	4,620,242	5,999,780
Total Electric Plant	\$ 215,001,584	\$ 209,853,567

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	2.75%
Distribution Plant	3.00%
Structures and Improvements	2.00% - 7.00%
Office Furniture and Fixtures	5.00% - 50.00%
Transportation Equipment	3.30% - 20.00%
Store Equipment	5.00% - 10.00%
Tools, Shop, and Garage Equipment	4.00% - 33.33%
Laboratory Equipment	5.00% - 20.00%
Power Operated Equipment	5.00% - 33.00%
Communication Equipment	5.00% - 33.33%
Miscellaneous General Plant	5.00% - 20.00%

Depreciation for the years ended December 31, 2010 and 2009, was \$6,804,697 and \$6,383,927, respectively, of which \$6,445,508 and \$6,023,242 was charged to depreciation expense, and \$359,189 and \$360,685 were allocated to other accounts.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

4. Other Property and Investments

Other property and investments consisted of the following as of December 31, 2010 and 2009:

	December 31,	
	2010	2009
CFC		
Capital Term Certificates	\$ 1,157,363	\$ 1,167,637
Patronage Capital	390,425	359,606
Membership	1,000	1,000
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	21,999,988	19,646,723
Southwest Transmission Cooperative, Inc.		
Patronage Capital	993,413	985,215
Other	420,673	408,146
	<u>\$ 24,962,862</u>	<u>\$ 22,568,327</u>

5. Temporary Investments – At Cost

	December 31,	
	2010	2009
AEPCO Prepaid Power Payment	<u>\$ 2,500,000</u>	<u>\$ 3,500,000</u>

6. Inventories

Inventories consisted of:

	December 31,	
	2010	2009
Construction Materials and Supplies	\$ 2,691,558	\$ 3,503,984
Transportation Supplies	59,383	41,457
Fuel	68,975	50,165
	<u>\$ 2,819,916</u>	<u>\$ 3,595,606</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

7. Deferred Charges

Deferred charges consisted of:

	December 31,	
	2010	2009
Preliminary Survey and Investigation Charges	\$ 181,787	\$ 107,761
Rate Case	162,437	259,920
Other	166,298	172,450
	<u>\$ 510,522</u>	<u>\$ 540,131</u>

8. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 29.78% of the total assets at the balance sheet date. The Cooperative retired \$1,003,992 and \$6,747 of patronage capital during 2010 and 2009, respectively.

9. Patronage Capital

	December 31,	
	2010	2009
Assigned	\$ 48,821,179	\$ 41,714,483
Assignable	6,104,555	8,110,688
Balance	<u>\$ 54,925,734</u>	<u>\$ 49,825,171</u>

10. Other Equities

	December 31,	
	2010	2009
Retired Capital Credits - Gain	\$ 209,494	\$ 204,480
Donated Capital	4,484,682	4,484,682
Gain on Sale of Property	2,082,983	2,082,983
	<u>\$ 6,777,159</u>	<u>\$ 6,772,145</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

11. Mortgage Notes – RUS

Long-term debt due RUS is represented by 35-year mortgage notes payable to the United States of America. Following is a summary of long-term debt due RUS and maturing at various times between 2015 and 2039:

	December 31,	
	2010	2009
4.62% Notes	\$ 3,006,703	\$ 3,087,068
5.00% Notes	100,688,842	102,802,488
5.12% Notes	3,237,456	3,318,016
5.50% Notes	1,729,443	1,799,571
5.75% Notes	1,520,548	1,565,040
	<u>\$ 110,182,992</u>	<u>\$ 112,572,183</u>
Less: Current Maturities	<u>2,478,000</u>	<u>2,360,000</u>
	<u>\$ 107,704,992</u>	<u>\$ 110,212,183</u>

Principal and interest installments on the above notes are due in quarterly and monthly amounts. As of December 31, 2010, annual maturities of long-term debt due RUS for the next five years are as follows:

2011	\$ 2,478,000
2012	2,602,000
2013	2,732,000
2014	2,869,000
2015	3,013,000

12. Mortgage Notes - FFB

Following is a summary of long-term debt due FFB and maturing in 2042:

	December 31,	
	2010	2009
3.623% Notes	\$ 992,279	\$ 1,000,000
4.360% Notes	1,986,892	2,000,000
3.499% Notes	1,488,105	1,500,000
4.004% Notes	2,482,244	2,500,000
4.283% Notes	1,489,995	1,500,000
	<u>\$ 8,439,515</u>	<u>\$ 8,500,000</u>
Less: Current Maturities	<u>133,259</u>	<u>60,000</u>
	<u>\$ 8,306,256</u>	<u>\$ 8,440,000</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative has \$75,479,000 available in unadvanced loan funds at December 31, 2010.

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2010, annual maturities of long-term debt due FFB for the next five years are as follows:

2011	\$	133,259
2012		141,245
2013		144,209
2014		150,070
2015		156,143

12. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2011 to 2032:

	December 31,	
	2010	2009
4.55% Notes	\$	\$ 23,632
4.75% Notes	13,313	26,013
4.95% Notes	25,086	36,733
5.15% Notes	3,760	4,890
5.90% Notes	83,647	127,734
6.04% Notes	447,664	526,733
6.18% Notes	719,538	770,103
6.22% Notes	1,696,792	1,774,871
6.25% Notes	2,843,492	2,904,696
6.26% Notes	2,960,194	3,051,650
	\$ 8,793,486	\$ 9,247,055
Less: Current Maturities	456,686	454,000
	<u>\$ 8,336,800</u>	<u>\$ 8,793,055</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2010, annual maturities of long-term debt due CFC for the next five years are as follows:

2011	\$	456,686
2012		458,484
2013		434,614
2014		460,748
2015		462,660

13. Short-Term Borrowing

The Cooperative has a \$37,800,000 line of credit for short-term financing with CFC at an interest rate of one percent above the prime interest rate. At December 31, 2010 the Cooperative had \$0 outstanding under this agreement.

14. Litigation and Commitments

The Cooperative is not involved in litigation which is expected to have an adverse effect on the financial position of the Cooperative.

15. Deferred Credits

Deferred credits consisted of:

	December 31,	
	2010	2009
Advances for Construction	\$ 7,505,573	\$ 8,048,915
Special Equipment Installation Charges		
Deposit for Comcast Cable	6,384	7,716
Unclaimed Capital Credit Retirements	213,509	64,131
Other	26,451	30,723
	<u>\$ 7,751,917</u>	<u>\$ 8,151,485</u>

Advances for construction represent refundable advances paid by the members. This amount is refunded over 10 years based on an agreement with the members. To the extent amounts remain after 10 years, these amounts are no longer refundable and are credited to construction work in progress.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

16. Pension Benefits

Pension benefits for substantially all employees of the Cooperative are provided through the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program. The plan is a defined benefit plan, and is qualified as tax exempt under the Internal Revenue Code.

The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employers. The plan has periodically been under contribution moratorium due to the plan reaching full funding limitation.

The pension cost to the Cooperative was \$1,552,589 and \$1,106,549 for the years ended 2010 and 2009, respectively.

The Cooperative also participates in the NRECA 401-K savings plan, a defined contribution plan. This plan is available to substantially all employees. The cost to the Cooperative was \$310,363 in 2010 and \$285,278 in 2009.

17. Related Party Transaction

The Cooperative purchases all of its power from Arizona Electric Power Cooperative, of which it is a member and is represented on the Board of Directors. Power is purchased according to the contract currently in force.

18. Disclosures About Fair Value of Financial Statements

Many of the Cooperative's financial instruments lack an available market with similar terms, conditions, and maturities as those reflected in the carrying amount recorded. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

Estimated Fair Value has been determined by calculating the present value of financial instruments using the best data available.

Fair Value for some amounts carried on the financial statements has not been calculated for the following reasons:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations are not considered financial instruments.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period. Relevant information with respect to these are as follows:

	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
\$	176,811	5.00%	2070
	215,823	5.00%	2075
	412,463	5.00%	2080
	59,300	3.00%	2020
	58,300	3.00%	2025
	75,450	3.00%	2030
	159,216	0.00%	2011 to 2032

Temporary Investments – The recorded book value approximates fair value given the short period to maturity.

The estimated fair value of the Cooperative's financial instruments is as follows:

RUS and FFB Long-Term Debt – The fair value of the Cooperative's RUS long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt re-pricing at the same maturity as the current debt. The alternative financing reflected is not available to the Cooperative without the Cooperative withdrawing from the RUS program and that is not contemplated at this time.

	<u>Carrying Value</u>	<u>Fair Value</u>
RUS	\$ 110,182,992	\$ 87,566,781
FFB	<u>8,439,515</u>	<u>5,659,370</u>
	<u>\$ 118,622,507</u>	<u>\$ 93,226,151</u>

CFC Fixed Rate Long-Term Debt – The fair value of the Cooperative's CFC Fixed Rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt repricing at the same maturity as the current debt.

	<u>Carrying Value</u>	<u>Fair Value</u>
As of December 31, 2010	\$ <u>8,793,486</u>	\$ <u>8,311,792</u>

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TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Long-Term Debt valuations are considered Level 2.

19. Subsequent Events

The Cooperative has evaluated subsequent events through February 14, 2011, the date which the financial statements were available to be issued.

ACCOMPANYING INFORMATION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITORS' REPORT ON
ACCOMPANYING INFORMATION**

Our audits of the basic financial statements presented in the preceding section of this report were made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on pages 17 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

February 14, 2011

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance 1/1/2010	Additions	Retirements	Balance 12/31/2010
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Intangible Plant				
Organization	\$ 1,180	\$ 0	\$ 0	\$ 1,180
Transmission Plant				
Land and Land Rights	\$ 532,578	\$	\$	\$ 532,578
Station Equipment	121,499	(2,145)		119,354
Poles and Fixtures	1,717,474	98,935	2,439	1,813,970
Overhead Conductors and Devices	1,138,636	(322)		1,138,314
Total	\$ 3,510,187	\$ 96,468	\$ 2,439	\$ 3,604,216
Distribution Plant				
Land and Land Rights	\$ 101,005	\$	\$	\$ 101,005
Station Equipment	12,452,956	2,145		12,455,101
Poles, Towers, and Fixtures	19,542,728	1,509,486	413,772	20,638,442
Overhead Conductors and Devices	20,707,513	1,521,484	398,026	21,830,971
Underground Conduit	4,131,320	1,127,060	5	5,258,375
Underground Conductors and Devices	78,723,060	3,510,277	279,354	81,953,983
Line Transformers	25,971,670	216,393	246,290	25,941,773
Services	7,399,625	(12,341)	4,473	7,382,811
Meters	10,908,405	356,621	754,428	10,510,598
Installations on Consumers' Premises	325,959	4,106	7,469	322,596
Street Lights	1,560			1,560
Total	\$ 180,265,801	\$ 8,235,231	\$ 2,103,817	\$ 186,397,215
General Plant				
Land and Land Rights	\$ 734,514	\$	\$	\$ 734,514
Structures and Improvements	10,199,721	200,249		10,399,970
Office Furniture and Equipment	1,645,873	105,745	72,042	1,679,576
Transportation Equipment	4,413,206	122,945	92,450	4,443,701
Store Equipment	285,239	11,279	2,474	294,044
Tools, Shop, and Garage Equipment	613,264	31,950	103,117	542,097
Laboratory Equipment	689,560	104,326		793,886
Power Operated Equipment	702,154	320,443	401,451	621,146
Communication Equipment	473,922	66,813		540,735
Miscellaneous Equipment	120,194	18,497	8,601	130,090
Total	\$ 19,877,647	\$ 982,247	\$ 680,135	\$ 20,179,759
Total Classified Electric Plant in Service	\$ 203,654,815	\$ 9,313,946	\$ 2,786,391	\$ 210,182,370
Electric Plant Held for Future Use	198,972			198,972
Construction Work in Progress	5,999,780	(1,379,538)		4,620,242
Total Utility Plant	\$ 209,853,567	\$ 7,934,408	\$ 2,786,391	\$ 215,001,584

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance 1/1/2010	Depreciation Accruals	Retirements	Balance 12/31/2010
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Transmission Plant	\$ 809,082	\$ 82,758	\$ 3,433	\$ 888,407
Distribution Plant	\$ 36,354,320	\$ 5,916,033	\$ 2,323,460	\$ 39,946,893
General Plant	\$ 7,888,477	\$ 805,906	\$ 672,737	\$ 8,021,646
Total Classified Electric Plant in Service	\$ 45,051,879	\$ 6,804,697	\$ 2,999,630	\$ 48,856,946
Retirement Work in Progress	(133,315)		(57,840)	(75,475)
Total	\$ 44,918,564	\$ 6,804,697	\$ 2,941,790	\$ 48,781,471

(1)

(2)

(1) Charged to Depreciation Expense
Charged to Clearing and Other Accounts

\$ 6,445,508
359,189

\$ 6,804,697

(2) Cost of Units Retired
Add: Cost of Removal
Less: Salvage and Other Credits

\$ 2,786,391
444,163
288,764

\$ 2,941,790

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2010 AND 2009

	December 31,	
	2010	2009
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
National Rural Electric Cooperative Association	10	10
National Information Systems Cooperative	25	25
Grand Canyon State Electric	100	100
National Cooperative Service Corporation	100	100
National Rural Telecommunications Cooperative	1,000	1,000
Southwest Transmission Cooperative	100	100
Sierra Southwest Cooperative	100	100
Patronage Capital		
Arizona Electric Power Cooperative, Inc.	21,999,988	19,646,723
Southwest Transmission Cooperative	993,413	985,215
National Rural Utilities Cooperative Finance Corporation	390,425	359,606
National Information Systems Cooperative	82,379	70,837
National Rural Telecommunications Cooperative	32,184	28,896
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	1,157,363	1,167,637
Capital Stock		
Federated Rural Electric Insurance Corporation - Preferred E Stock	145,238	139,666
Total Investments in Associated Organizations	<u>\$ 24,803,425</u>	<u>\$ 22,401,015</u>
OTHER INVESTMENTS		
Cash Value Annuities	\$ 136,653	\$ 147,749
Fuel Deposits and State Compensation Deposit	14,784	11,563
Other	8,000	8,000
	<u>\$ 159,437</u>	<u>\$ 167,312</u>
Total Other Property and Investments	<u>\$ 24,962,862</u>	<u>\$ 22,568,327</u>
TEMPORARY INVESTMENTS		
AEPCO Prepaid Power Payment	<u>\$ 2,500,000</u>	<u>\$ 3,500,000</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL
DECEMBER 31, 2010

<u>Calendar Year</u>	<u>Assignable</u>	<u>Assigned</u>	<u>Balance</u>
1989	\$	\$ 597,349	\$ 597,349
1990		938,145	938,145
1991		414,291	414,291
1992		1,038,101	1,038,101
1993		1,330,101	1,330,101
1994		698,158	698,158
1995		1,597,765	1,597,765
1996		1,091,178	1,091,178
1997		907,260	907,260
1998		2,325,959	2,325,959
1999		2,528,204	2,528,204
2000		2,415,484	2,415,484
2001		3,867,160	3,867,160
2002		3,819,980	3,819,980
2003		2,408,719	2,408,719
2004		912,130	912,130
2005		1,863,691	1,863,691
2006		3,351,215	3,351,215
2007		2,549,909	2,549,909
2008		6,057,769	6,057,769
2009		8,108,611	8,108,611
2010	<u>6,104,555</u>		<u>6,104,555</u>
	\$ <u><u>6,104,555</u></u>	\$ <u><u>48,821,179</u></u>	\$ <u><u>54,925,734</u></u>

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TRICO ELECTRIC COOPERATIVE, INC.

Schedule 5

**RUS AND CFC MORTGAGE NOTES
DECEMBER 31, 2010**

RUS Mortgage Notes

Note Number	Date of Note	Interest Rate	Principal Amount	Deferred Interest	Amount Unadvanced	Principal Repayments	Net Obligation
Notes Paid in Full			\$ 10,424,986	\$	\$	\$ 10,424,986	\$
1B280	11-10-80	5.000%	1,673,000			1,234,518	438,482
1B282	11-10-80	5.000%	1,673,000			1,234,518	438,482
1B290	03-25-86	5.000%	1,562,000			798,986	763,014
1B292	03-25-86	5.000%	1,562,000			798,986	763,014
1B300	08-25-89	5.000%	2,933,500			1,154,626	1,778,874
1B302	08-25-89	5.000%	2,933,500			1,154,626	1,778,874
1B310	09-22-92	5.000%	2,698,000			818,295	1,879,705
1B315	09-22-92	5.000%	2,698,000			818,295	1,879,705
1B320	10-25-94	5.750%	1,966,000			445,452	1,520,548
1B325	10-25-94	5.500%	1,966,000			456,139	1,509,861
1B330	07-01-97	5.120%	3,955,000			717,544	3,237,456
1B335	07-01-97	4.620%	3,695,000			688,297	3,006,703
1B336	03-01-01	5.500%	260,000			40,418	219,582
1B340	07-01-01	5.000%	3,956,000			449,047	3,506,953
1B350	03-01-02	5.000%	3,000,000			293,134	2,706,866
1B351	03-01-02	5.000%	6,000,000			586,269	5,413,731
1B352	03-01-02	5.000%	8,500,000			830,547	7,669,453
1B353	03-01-02	5.000%	10,000,000			977,114	9,022,886
1B354	03-01-02	5.000%	8,543,000			787,922	7,755,078
1B360	08-02-04	5.000%	3,000,000			177,754	2,822,246
1B361	08-02-04	5.000%	6,800,000			402,909	6,397,091
1B362	08-02-04	5.000%	1,000,000			59,251	940,749
1B363	08-02-04	5.000%	1,000,000			59,251	940,749
1B364	08-02-04	5.000%	2,000,000			118,503	1,881,497
1B365	08-02-04	5.000%	3,000,000			177,754	2,822,246
1B366	08-02-04	5.000%	1,000,000			59,251	940,749
1B367	08-02-04	5.000%	944,000			55,933	888,067
1B368	08-02-04	5.000%	2,000,000			118,503	1,881,497
1B560	08-02-04	5.000%	2,000,000			118,503	1,881,497
1B561	08-02-04	5.000%	3,000,000			177,754	2,822,246
1B562	08-02-04	5.000%	1,000,000			58,105	941,895
1B563	08-02-04	5.000%	1,000,000			57,361	942,639
1B564	08-02-04	5.000%	1,500,000			84,317	1,415,683
1B565	08-02-04	5.000%	2,000,000			110,882	1,889,118
1B566	08-02-04	5.000%	2,000,000			108,578	1,891,422
1B567	08-02-04	5.000%	2,000,000			107,320	1,892,680
1B568	08-02-04	5.000%	2,000,000			104,014	1,895,986
1B660	08-02-04	5.000%	2,000,000			102,702	1,897,298
1B661	08-02-04	5.000%	2,000,000			100,059	1,899,941
1B662	08-02-04	5.000%	2,000,000			98,694	1,901,306
1B663	08-02-04	5.000%	3,000,000			144,072	2,855,928
1B664	08-02-04	5.000%	3,000,000			141,947	2,858,053
1B665	08-02-04	5.000%	2,000,000			90,517	1,909,483
1B666	08-02-04	5.000%	1,500,000			64,763	1,435,237
1B667	08-02-04	5.000%	1,000,000			42,397	957,603
1B668	08-02-04	5.000%	1,000,000			39,246	960,754
1B760	08-02-04	5.000%	1,500,000			55,555	1,444,445
1B761	08-02-04	5.000%	1,748,000			62,380	1,685,620
Total RUS			\$ 137,990,986	\$ 0	\$ 0	\$ 27,807,994	\$ 110,182,992

FFB Mortgage Notes

F0010	10-20-08	4.360%	2,000,000			13,108	1,986,892
F0015	11-21-08	3.623%	1,000,000			7,721	992,279
F0020	3-23-09	3.499%	1,500,000			11,895	1,488,105
F0025	5-19-09	4.004%	2,500,000			17,756	2,482,244
F0030	7-17-09	4.283%	1,500,000			10,005	1,489,995
Total FFB			\$ 8,500,000	\$ 0	\$ 0	\$ 60,485	\$ 8,439,515

CFC Mortgage Notes

9012	06-30-78	5.900%	681,000			597,353	83,647
9016	09-30-80	6.040%	1,509,000			1,061,336	447,664
9017	12-31-85	6.180%	1,380,412			660,874	719,538
9018	06-30-89	6.220%	2,618,750			921,958	1,696,792
9019	09-22-92	6.260%	2,409,375			750,946	1,658,429
9020	10-25-94	6.260%	1,685,000			383,235	1,301,765
9021	07-01-97	6.250%	3,390,000			546,508	2,843,492
9024008	08-21-03	4.750%	93,134			79,821	13,313
9024009	08-21-03	4.950%	97,873			72,787	25,086
9024010	08-21-04	5.150%	10,784			7,024	3,760
Total CFC			\$ 13,875,328	\$ 0	\$ 0	\$ 5,081,842	\$ 8,793,486

Net obligation includes \$2,478,000 due RUS, \$133,259 due FFB and \$456,686 due CFC payable within one year and classified as current liabilities on the balance sheet.

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	December 31,		Increase
	2010	2009	(Decrease)
Administrative and General Salaries	\$ 1,601,139	\$ 1,201,876	\$ 399,263
Office Supplies and Expense	655,362	581,584	73,778
Outside Services Employed	709,221	447,519	261,702
Property Insurance	374	750	(376)
Injuries and Damages	315,447	334,201	(18,754)
Employee Pensions and Benefits	94,666	84,142	10,524
Annual Meeting	8,738	21,838	(13,100)
Miscellaneous and General Expense	605,364	617,848	(12,484)
Regulatory Commission Expense	209,396	165,462	43,934
Maintenance of General Plant	440,594	337,840	102,754
	<u>\$ 4,640,301</u>	<u>\$ 3,793,060</u>	<u>\$ 847,241</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 7

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31,				
	2010	2009	2008	2007	2006
OPERATING REVENUES					
Residential	\$ 62,092,759	\$ 58,436,925	\$ 51,015,245	\$ 50,027,353	\$ 42,056,427
Irrigation	127,732	181,276	172,888	261,319	229,600
Commercial and Industrial	28,364,197	28,223,089	24,429,701	22,405,623	19,095,478
Public Buildings and Other Authorities	74,945	51,219	44,947	44,053	20,473
Sales for Resale	895	9,809	18,205	10,144	10,723
(Over) Under Billed Power Cost	681,924	(1,202,540)	1,251,944	122,219	546,044
Rent from Electric Property	353,125	325,457	307,961	284,471	251,889
Other Operating Revenues	1,090,678	1,094,360	1,115,843	1,185,771	1,379,511
Total Operating Revenues	<u>\$ 92,786,255</u>	<u>\$ 87,119,595</u>	<u>\$ 78,356,734</u>	<u>\$ 74,340,953</u>	<u>\$ 63,590,145</u>
OPERATING EXPENSES					
Purchased Power	\$ 59,747,134	\$ 58,169,937	\$ 51,809,610	\$ 48,361,836	\$ 39,340,028
Transmission	309,260	59,292	39,496	42,193	12,778
Distribution - Operation	6,221,256	5,938,071	5,725,857	5,319,043	4,137,496
Distribution - Maintenance	1,665,111	1,484,852	1,752,675	1,915,020	1,776,715
Customer Accounts	2,838,200	2,722,526	2,397,115	2,456,001	2,271,793
Customer Service and Information	697,834	527,947	526,881	537,808	503,679
Administrative and General	4,640,301	3,793,060	3,393,487	3,738,625	3,510,999
Depreciation and Amortization	6,445,508	6,023,242	5,811,648	5,287,127	4,450,736
Taxes	(401)	525	138	(65)	47
Other Interest	4,778	32,707	80,846	56,679	38,938
Other Deductions	255,761	161,383	210,652	393,872	136,406
Total Operating Expenses	<u>\$ 82,824,742</u>	<u>\$ 78,913,542</u>	<u>\$ 71,748,405</u>	<u>\$ 68,108,139</u>	<u>\$ 56,179,615</u>
OPERATING MARGINS - Before					
Fixed Charges	\$ 9,961,513	\$ 8,206,053	\$ 6,608,329	\$ 6,232,814	\$ 7,410,530
FIXED CHARGES					
Interest on Long-Term Debt	<u>6,492,483</u>	<u>6,546,805</u>	<u>6,366,174</u>	<u>5,909,101</u>	<u>4,957,877</u>
OPERATING MARGINS - After					
Fixed Charges	\$ 3,469,030	\$ 1,659,248	\$ 242,155	\$ 323,713	\$ 2,452,653
Other Capital Credits	<u>2,461,716</u>	<u>6,307,832</u>	<u>8,370,342</u>	<u>2,058,437</u>	<u>107,112</u>
NET OPERATING MARGINS	<u>\$ 5,930,746</u>	<u>\$ 7,967,080</u>	<u>\$ 8,612,497</u>	<u>\$ 2,382,150</u>	<u>\$ 2,559,765</u>
NONOPERATING MARGINS					
Interest Income	\$ 102,930	\$ 83,765	\$ 117,995	\$ 161,158	\$ 145,568
Other Nonoperating Income	<u>70,879</u>	<u>59,594</u>	<u>8,608</u>	<u>12,007</u>	<u>8,235</u>
	<u>\$ 173,809</u>	<u>\$ 143,359</u>	<u>\$ 126,603</u>	<u>\$ 173,165</u>	<u>\$ 153,803</u>
NET MARGINS	<u>\$ 6,104,555</u>	<u>\$ 8,110,439</u>	<u>\$ 8,739,100</u>	<u>\$ 2,555,315</u>	<u>\$ 2,713,568</u>
Miscellaneous Statistics					
# Receiving Service - At End of Year	39,688	39,328	38,542	38,119	36,505
MWH Sales	619,772	632,532	622,867	605,300	538,849
Times Interest Earned Ratio	1.94	2.24	2.37	1.43	1.55
Debt Service Coverage	2.03	2.22	2.31	1.63	1.72
Equity to Total Assets	29.78	27.67	25.07	22.21	24.08
Equity to Total Capitalization	32.63	30.28	27.54	24.43	26.50

COMPLIANCE AND INTERNAL CONTROL

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**LETTER TO BOARD OF DIRECTORS REGARDING RUS, 7 CFR, PART 1773,
RUS POLICIES CONCERNING AUDITS OF RUS BORROWERS**

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited the financial statements of Trico Electric Cooperative, Inc. for the year ended December 31, 2010, and have issued our report thereon dated February 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Trico Electric Cooperative, Inc. for the year ended December 31, 2010, we considered their internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, material control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report and our independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *government auditing standards* and our independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133, all dated February 14, 2011) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Trico Electric Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended December 31, 2010, of Trico Electric Cooperative, Inc.:
 - Obtained and read a borrower-prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property, or for the use of its property by others, as defined in §1773.33(e)(1)(i).
 - Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
 - Noted the existence of written RUS and CFC approval of each contract listed by the borrower.

- Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS:
 - Agreed amounts reported in Form 7 to Trico Electric Cooperative, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Trico Electric Cooperative, Inc. complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS and CFC to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, as defined in §1773.33(e)(1)(i); and,
- The borrower has submitted its Form 7 to the RUS and the Form 7, Financial and Statistical Report, as of December 31, 2010, represented by the borrower as having been submitted to RUS is in agreement with the Trico Electric Cooperative, Inc.'s audited records in all material respects.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Trico Electric Cooperative, Inc., nothing came to our attention that caused us to believe that Trico Electric Cooperative, Inc. failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale, or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended December 31, 2010, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(e);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and,
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h) and the detailed schedule of investments in affiliated companies required by 7 CFR 1733.33 (i) provided below are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deferred debits consist of the following:

Preliminary Survey and Other Investigation Charges	\$	181,787
Rate Case		162,437
Software and Other		166,298
	\$	<u>510,522</u>

Deferred credits consist of:

Deposit for Comcast Cable	\$	6,384
Unclaimed Capital Credit Retirements		213,509
Other		26,451
Consumer Advances for Construction		<u>7,505,573</u>
	\$	<u>7,751,917</u>

Investment in Affiliated Companies consists of: None.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Legars, Gilbert & Moss LLP

Certified Public Accountants

February 14, 2011

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited the financial statements of Trico Electric Cooperative, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated February 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trico Electric Cooperative, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trico Electric Cooperative, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This communication is intended for the information of the Board of Directors, management, Rural Utilities Services, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

February 14, 2011

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

Compliance

We have audited the compliance of Trico Electric Cooperative, Inc. with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Trico Electric Cooperative, Inc.'s major federal programs for the year ended December 31, 2010. Trico Electric Cooperative, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Trico Electric Cooperative, Inc.'s management. Our responsibility is to express an opinion on Trico Electric Cooperative, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trico Electric Cooperative, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Trico Electric Cooperative, Inc.'s compliance with those requirements.

In our opinion, the Cooperative complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Trico Electric Cooperative, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Trico Electric Cooperative, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

February 14, 2011

FEDERAL FINANCIAL ASSISTANCE SECTION

TRICO ELECTRIC COOPERATIVE, INC.
SCHEDULE OF A-133 FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. Summary of Auditors' Results

1. Type of auditor's report issued on the financial statements: **Unqualified**
2. Significant Deficiencies: **None**
3. There were no significant deficiencies noted; therefore, there were no material weaknesses.
4. Noncompliance which is material to the financial statements: **None**
5. Type of auditor's report on compliance for major programs: **Unqualified**
6. Did the audit disclose findings which are required to be reported under Sec. __510(a): **No**
7. Major programs include:

81.041 – US DOE passed through Arizona Dept of Commerce– Distributed Energy Leadership
(Utilities) Program – ARRA
8. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
9. Low risk auditee: **No**

II. Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

III. Findings and Questioned Costs Related to the Federal Awards

The audit disclosed no findings required to be reported.

**TRICO ELECTRIC COOPERATIVE, INC.
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

**TRICO ELECTRIC COOPERATIVE, INC.
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures and Indirect Cost</u>	<u>Amount Passed Through t Subrecipient</u>
U.S. Department of Energy/Arizona Department of Commerce - Distributed Energy Leadership (Utilities) Program			
1059-09-08 - ARRA	81.041	\$ <u>529,060</u>	\$ <u>0</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Trico Electric Cooperative, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Actual cash receipts during the year ended December 31, 2010 were \$529,060.